



## **INLAND REVENUE BOARD OF MALAYSIA**

**INVESTMENT HOLDING COMPANY**

**PUBLIC RULING NO. 2/2024**

*Translation from the original Bahasa Malaysia text.*

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**INLAND REVENUE BOARD OF MALAYSIA**

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<b>CONTENTS</b>	<b>PAGE</b>
1. Objective	1
2. Relevant Provisions of the Law	1
3. Interpretation	1
4. Definition of an Investment Holding Company	1
5. Definition of Business of Holding of an Investment	1
6. Determination of an Investment Holding Company	2
7. Tax Treatment	8
8. Tax Treatment for Investment Holding Company Not Listed on the Bursa Malaysia	8
9. Tax Treatment for Investment Holding Company Listed on the Bursa Malaysia	17
10. Capital Allowance / Industrial Building Allowance	27
11. Updates and Amendments	28
12. Disclaimer	28



**INLAND REVENUE BOARD OF MALAYSIA**

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**DIRECTOR GENERAL'S PUBLIC RULING**

Section 138A of the Income Tax Act 1967 [ITA] provides that the Director General is empowered to make a Public Ruling in relation to the application of any provisions of the ITA.

A Public Ruling is published as a guide for the public and officers of the Inland Revenue Board of Malaysia. It sets out the interpretation of the Director General of Inland Revenue in respect of the particular tax laws and the policy as well as the procedure applicable to it.

The Director General may withdraw this Public Ruling either wholly or in part, by notice of withdrawal or by publication of a new Public Ruling.

**Director General of Inland Revenue,  
Inland Revenue Board of Malaysia.**

## **1. Objective**

The objective of this Public Ruling (PR) is to explain the tax treatment in respect of an investment holding company (IHC) resident in Malaysia.

## **2. Relevant Provisions of the Law**

2.1 This PR takes into account laws which are in force as at the date this PR is published.

2.2 The provisions of the Income Tax Act 1967 (ITA) related to this PR are paragraphs 4(a), 4(d), 4(f), 8(1)(b) and 8(1)(c), sections 43, 44, 60F and 60FA as well as paragraph 75 of Schedule 3 and paragraph 12B of Schedule 6 of the ITA.

## **3. Interpretation**

The terms used in this PR have the following meaning:

3.1 "Resident" means resident in Malaysia as determined under paragraphs 8(1)(b) and 8(1)(c) of the ITA.

3.2 "Real property" includes any land and any interest, option or other rights in or over such land and includes any building on land.

## **4. Definition of an Investment Holding Company**

An IHC means a company whose activities consist mainly in the holding of investments and not less than 80% of its gross income other than gross income from a source consisting of a business of holding of an investment (whether exempt or not) is derived from the holding of those investment.

## **5. Definition of Business of Holding of an Investment**

5.1 A "business of holding of an investment" means a business of letting of real property where a company in any year of assessment provides maintenance services or support services in respect of the real property.

5.2 "Letting of real property" means granting the use of a real property or occupation of a real property under an agreement or a term of contract and includes the letting out of part of the real property that is owned or rented.

5.3 "Maintenance services or support services" should be comprehensively and actively provided.

5.3.1 Maintenance services or support services comprehensively provided means services which include:

- (a) doing generally all things necessary (eg. cleaning services or repairs) for the maintenance and management of the real property such as the structural elements of the building, stairways, fire escapes, entrances and exits, lobbies, corridors, lifts/escalators, compounds, drains, water tanks, sewers, pipes, wires, cables or other fixtures and fittings; and
- (b) doing generally all things necessary for the maintenance and management of the exterior parts of the real property such as playing fields, recreational areas, driveways, car parks, open spaces, landscape areas, walls and fences, exterior lighting or other external fixtures and fittings.

If a person only provides security control services or other facilities, that person is not providing maintenance services or support services comprehensively.

5.3.2 Maintenance services or support services actively provided means the person who owns or lets out the real property:

- (a) provides the services himself; or
- (b) hires another person or another firm to provide the maintenance services or support services as mentioned under paragraph 5.3.1 of this PR.

5.4 The determination of whether income from the letting of real property is a business source or a non-business source is explained in detail in the PR No.12/2018 entitled "Income From Letting Of Real Property".

## **6. Determination of an Investment Holding Company**

6.1 Generally, the determination of whether a company is an IHC depends on two (2) criteria:

- (a) its main activity is the holding of investments; and
- (b) not less than 80% of the company's gross income other than gross income from a source consisting of a business of holding of investment (whether exempt or not) is derived from the holding of those investments.

### Example 1

Michael Ang Investment Sdn Bhd (MAISB) started business in year 2021 and its main activity is investment in several companies and fixed deposit. For the year 2022, MAISB only received dividend income from the investment in those companies and fixed deposit interest. MAISB closes its account on 31 December every year.

MAISB is an IHC for the YA 2022 since its main activity is the holding of investments and not less than 80% of its gross income (only dividend and interest) is derived from the holding of those investments.

### Example 2

Cahaya Bakti Sdn Bhd started business in year 2020 and its main activity is oil palm plantation. Apart from that, Cahaya Bakti Sdn Bhd also invests in several companies and fixed deposit in several banks. In year 2022, the company receives interest amounting to RM20,000 from the fixed deposit. The company has not generated any income from the plantation activity. The company closes its account on 31 December every year.

Even though the income of Cahaya Bakti Sdn Bhd is 100% derived from the saving in fixed deposit, Cahaya Bakti Sdn Bhd is not an IHC for the YA 2022 since its main activity is not the holding of investments but oil palm plantation.

### Example 3

Pelaburan Indah Sdn Bhd (PISB) started business in year 2021 and its main activity is the holding of investments in 10 related companies. PISB receives dividend income amounting to RM30,000 from those investments in year 2022. Apart from dividend income, PISB also receives management fees from related companies amounting to RM20,000 in year 2022. The company closes its account on 31 December every year.

Even though the main activity of PISB is the holding of investments, PISB is not an IHC for the YA 2022 since income from the holding of investments is less than 80% of its gross income.

- 6.2 An additional criteria in determining whether a company is an IHC is that any amount of gross income from a business of holding of an investment is not computed as gross income from the holding of investments. Therefore only income from interest and dividend under paragraph 4(c) of the ITA and rental under paragraph 4(d) of the ITA are computed as gross income from the holding of investments. An example of the computation for percentage of income from the holding of investments is as follows:

**Example 4**

Source of income	Company A	Company B	Company C	Company D	Company E
Rent (business)	85,000	20,000	-	50,000	20,000
Rent (non-business)	-	-	75,000	20,000	30,000
Dividend	5,000	50,000	10,000	10,000	20,000
Interest	10,000	30,000	5,000	20,000	20,000
Management service fees	-	-	10,000	-	10,000
<b>Total gross income</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
% of income from holding of investment	15,000/100,000 15%	80,000/100,000 80%	90,000/100,000 90%	50,000/100,000 50%	70,000/100,000 70%
IHC or not	No	IHC	IHC	No	No

- (a) Companies A, D and E are not IHCs since income from the holding of investments is less than 80% of gross income of those companies.
- (b) Companies B and C are IHCs since income from the holding of investments is not less than 80% of gross income of those companies.

6.3 If a company is a non-IHC in a YA but gross income from rental (business of holding of investment) decreases in the YA or subsequent YAs due to temporary cessation of tenancy because of the following circumstances:

- (a) repair or renovation of the building
- (b) absence of tenants for a period of 2 years after termination of tenancy;
- (c) legal injunction or other official sanction; or



(d) other circumstances beyond the control of the company;

the company is still deemed as a non-IHC for the subsequent year or years of assessment even though the income from the holding of investment is not less than 80% of the gross income of the company.

**Example 5**

Income of Asia Central Sdn Bhd for the YAs 2018 to 2022 are as follows. Rental income (business) decreases in the YA 2021 since the premises was not let out for a few months while repair was being done to the premises.

Source of income	YA 2018	YA 2019	YA 2020	YA 2021	YA 2022
Rental (business)	60,000	50,000	30,000	10,000	70,000
Rental (non-business)	10,000	20,000	20,000	20,000	20,000
Dividend	10,000	10,000	20,000	20,000	20,000
Interest	20,000	20,000	20,000	20,000	10,000
<b>Total gross income</b>	<b>100,000</b>	<b>100,000</b>	<b>90,000</b>	<b>70,000</b>	<b>120,000</b>
% of income from holding of investment	40,000/100,000 40%	50,000/100,000 50%	60,000/90,000 67%	60,000/70,000 86%	50,000/120,000 42%
IHC or not	No	No	No	No	No

In the YA 2021, due to decrease of income from rental (business), income from the holding of investment is more than 80% of the gross income of the company. However, the company is still deemed as non-IHC since the decrease of rental

income (business) is due to the temporary cessation of tenancy because of repair works.

### Example 6

Double Trouble Sdn Bhd closes its account on 31 December every year. Rental income (business) is derived from the letting out of office lot in a 4-storey building. On 1.6.2020, the tenancy of a major portion of the office lot ends and the company only manages to get new tenants on 1.6.2022 (absence of tenants for a period of 24 months). As a consequence, rental income (business) decreases in YAs 2020, 2021 and 2022. The income of Double Trouble Sdn Bhd for the YAs 2018 to 2022 are as follows:

Source of income	YA 2018	YA 2019	YA 2020	YA 2021	YA 2022
Rental (business)	160,000	160,000	50,000	30,000	50,000
Rental (non-business)	90,000	90,000	90,000	90,000	90,000
Dividend	90,000	90,000	90,000	70,000	80,000
Interest	30,000	40,000	50,000	30,000	40,000
Total gross income	370,000	380,000	280,000	220,000	260,000
% of income from holding of investment	210,000/370,000 57%	220,000/380,000 58%	230,000/280,000 82%	190,000/220,000 86%	210,000/260,000 81%
IHC or not	No	No	No	No	No

In the YAs 2020, 2021 and 2022, income from the holding of investments is more than 80% of the gross income due to the decrease of income from rental (business) because a major portion of the office lot was not tenanted. Since the

absence of tenants is for a period of 24 months, the tenancy is deemed temporarily ceased and therefore the company is still treated as a non-IHC for the YAs 2020, 2021 and 2022.

**Example 7**

Same facts as in Example 6 except that Double Trouble Sdn Bhd only manages to get new tenants on 1.8.2022 (absence of tenants for a period of 26 months).

Double Trouble Sdn Bhd is treated as a non-IHC for the YAs 2020 and 2021 as the absence of tenants in the 2 YAs (19 months) is still within the 24-month period. Whereas the remaining 7 months that results in the period of absence of tenants in excess of 24 months (June and July 2022) falls in the YA 2022. As income from the holding of investments is more than 80% of gross income, Double Trouble Sdn Bhd is an IHC for the YA 2022.

- 6.4 A company which has been determined to be an IHC in the basis period for YA will be deemed to be an IHC in the subsequent YAs. However, this treatment is not applicable if the company is able to prove that it is no longer an IHC in the relevant YA.

**Example 8**

Syarikat Antena Sdn Bhd (SASB) commenced operation in year 2019 and its main activity is the holding of investments. In November 2020, SASB sold its investment except fixed deposit to be used as a capital to start a business of selling hand phones in 2021 as its main activity. In October 2021, SASB invested again in several companies. SASB’s income for the YAs 2019 to 2022 are as follows:

Source of income	YA 2019	YA 2020	YA 2021	YA 2022
Business	-	-	30,000	10,000
Rental (non-business)	24,000	24,000	12,000	30,000
Dividend	10,000	-	-	24,000
Interest	5,000	5,000	13,000	15,000
Total gross income	39,000	29,000	55,000	79,000

% of income from holding of investment	39,000/39,000	29,000/29,000	Company's main activity-selling handphones	Company's main activity- selling handphones
	100%	100%		
IHC or not	IHC	IHC	No	No

SASB is an IHC for the YAs 2019 and 2020 since its main activity is the holding of investments and not less than 80% of SASB's gross income is from the holding of those investments. However, SASB is not an IHC for the YA 2021 as its main activity is no longer the holding of investments but has changed to a business of selling hand phones. SASB remains as a non-IHC in the YA 2022 (even though income from the holding of investments is more than 80% of its gross income) as SASB is still carrying on the business of selling hand phones as its main activity.

Note : If the business of selling hand phones is not the main activity of the company but merely a sideline activity that is not carried out actively, the company is an IHC in the YAs 2021 and 2022 if not less than 80% of its gross income is derived from the holding of investments.

## 7. Tax Treatment

The tax treatment for an IHC depends on whether the IHC is or not listed on the Bursa Malaysia. The special tax treatment for an IHC is provided under:

- (a) section 60F of the ITA for an IHC not listed on the Bursa Malaysia; and
- (b) section 60FA of the ITA for an IHC listed on the Bursa Malaysia.

## 8. Tax Treatment for Investment Holding Company Not Listed on the Bursa Malaysia- Section 60F of the ITA

- 8.1 Any income derived from the holding of investments [interest, dividend, rental (non-business) and rental (business of holding of an investment)] is treated as a non-business source. Whereas income other than income from the holding of investments is treated as a source of income under paragraph 4(f) of the ITA.

**Example 9**

Same facts as in Example 4. Assuming all the companies A to E are not listed on the Bursa Malaysia.

Based on the determination whether a company is an IHC, companies B and C are IHC's. Since both companies are not listed on the Bursa Malaysia, the provision of section 60F of the ITA applies.

For companies B&C, the sources of income are assessed as follows :

Source of income	Provision under ITA
Dividend	Paragraph 4(c)
Interest	Paragraph 4(c)
Rental (non-business)	Paragraph 4(d)
Rental (investment holding business)	Paragraph 4(d)
Management service fees	Paragraph 4(f)

**8.2 Permitted expenses**

8.2.1 In ascertaining the total income of an IHC for a YA, an amount of permitted expenses determined in accordance with the prescribed formula is allowable as a deduction from the aggregate income of the IHC.

8.2.2 Permitted expenses incurred by an IHC consist of-

- (a) director's fees
- (b) wages, salaries and allowances;
- (c) management fees;
- (d) secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage; and

- (e) rent and other expenses incidental to the maintenance of an office,

which are not deductible under subsection 33(1) of the ITA.

- 8.2.3 The prescribed formula to determine the amount of permitted expenses which is allowable as a deduction is as follows:

$$A \times \frac{B}{4C}$$

where :

- A is the total of the permitted expenses incurred for a basis period reduced by any receipts of a similar kind;
- B is the gross income consisting of dividend, interest and rent chargeable to tax for a basis period;
- C is the aggregate of the gross income consisting of dividend and interest (whether such dividend or interest is exempt or not) and rent, and gains from realisation of investments for a basis period.

- 8.2.4 The amount allowable as a deduction should not exceed 5% of the gross income consisting of dividend, interest and rent for that basis period.

Note: "Dividend" includes income distributed by a unit trust.

**Example 10**

Gross income of Sunsuria Property Sdn Bhd for the YA 2022 is as follows:

Income	RM
Dividend (tax exempt)	35,000
Interest	30,000
Interest (tax exempt)	8,000

Rental	50,000
Managemet service fees	35,000
Distribution of income from REIT	20,000
Distribution of income from unit trust	15,000
Gains from realisation of investments	100,000

Sunsuria Property Sdn Bhd is an IHC based on its main activity and the income from holding of investment that exceeds 80% of the company's income.

Expenses claimed are as follows:

<b>Expenses claimed</b>	<b>RM</b>
Director's fees	24,000
Salaries and allowances	16,000
Management fees	5,000
Audit fees	4,000

i. The amount of A, B and C are as follows:

(a) The amount of permitted expenses:

Director's fees	24,000
Salaries and allowances	16,000
Management fees	5,000

Audit fees	<u>4,000</u>
	<u>49,000</u> (A)

Gross income from investment chargeable to tax:

Interest	30,000
Rental	50,000
Distribution of income from REIT	20,000
Distribution of income from unit trust	<u>15,000</u>
	<u>115,000</u> (B)

Aggregate of gross income from investment (whether exempt or not), rental and gains from realisation of investment:

Dividend (tax exempt)	35,000
Interest	30,000
Interest (tax exempt)	8,000
Rental	50,000
Distribution of income from REIT	20,000
Distribution of income from unit trust	15,000
Gains from realisation of investments	<u>100,000</u>
	<u>258,000</u> (C)

(b) The amount of permitted expenses determined in accordance with the formula is:

$$\frac{A \times B}{4C} = \text{RM}49,000 \times \frac{\text{RM}115,000}{4 \times \text{RM}258,000} = \text{RM}5,460$$

compared with 5% of gross income chargeable to tax:

$$(5\% \times \text{RM}115,000) = \text{RM}5,750; \text{ whichever is lower.}$$



Therefore, the amount of permitted expenses allowable as a deduction is RM5,460.

ii. The total income of Sunsuria Property Sdn Bhd for the YA 2022 is computed as follows:

(a)	Interest	30,000
(b)	Distribution of income from REIT	20,000
(c)	Distribution of income from unit trust	15,000
(d)	Rental	50,000
(e)	Management service fees	
	[income under paragraph 4(f) of the ITA]	<u>35,000</u>
		150,000
	Less:	
	Permitted expenses	<u>5,460</u>
	Total income	<u>144,540</u>

### 8.3 Single-tier dividend income

From the YA 2008, single-tier dividend income is exempted from tax and any expenses related to the derivation of the dividend are to be disregarded. This also applies to an IHC.

#### Example 11

Gross income of Maju Sdn Bhd (an IHC) for the YA 2022 is as follows:

Investment	Cost of Investment	Income	RM
Shares	600,000	Dividend (single-tier)	100,000
Fixed deposit	100,000	Interest	15,000

Investment in Bintang REIT	500,000	Distribution of income from Bintang REIT	90,000
-	-	Management service fees	35,000
-	-	Gain from realisation of investments	150,000
<b>Total</b>	<b>1,200,000</b>	<b>Total</b>	<b>390,000</b>

Maju Sdn Bhd has taken a loan to finance the shares, fixed deposit and investment in Bintang REIT. In the YA 2022, the total interest paid in respect of the loan is RM50,000.

Expenses claimed are as follows:

<b>Expenses claimed</b>	<b>RM</b>
Director's fees	20,000
Salaries and allowances	15,000
Management fees	7,000
Audit fees	5,000
Maintenance of motor vehicle	2,000
Depreciation	1,000
<b>Total</b>	<b>50,000</b>

- i. The amount of A, B and C are as follows:

(a) The amount of permitted expenses:

Director's fees	20,000
Salaries and allowances	15,000
Management fees	7,000
Audit fees	<u>5,000</u>
	<b>47,000 (A)</b>

Gross income from investment chargeable to tax:

Interest from fixed deposit	15,000
Distribution of income from REIT	<u>90,000</u>
	<b>105,000 (B)</b>

Aggregate of gross income from investment (whether exempt or not), rental and gains from realisation of investment:

Dividend (single-tier)	100,000
Interest from fixed deposit	15,000
Distribution of income from REIT	90,000
Gains from realisation of investments	<u>150,000</u>
	<b>355,000(C)</b>

(b) The amount of permitted expenses determined in accordance with the formula is:

$$\frac{A \times B}{4C} = \text{RM}47,000 \times \frac{\text{RM}105,000}{4 \times \text{RM}355,000} = \text{RM}3,475$$

compared with 5% of gross investment income chargeable to tax:

$$(5\% \times \text{RM}105,000) = \text{RM}5,250; \text{whichever is lower.}$$

Therefore, the amount of permitted expenses allowable as deduction is RM3,475.

ii. The total income of Maju Sdn Bhd for the YA 2022 is computed as follows:

i)	Gross interest	15,000	
	Less:		
	Interest expenses		
	[ $\frac{100,000}{1,200,000} \times 50,000$ ]	<u>4,167</u>	10,833
ii)	Distribution of income from REIT	90,000	
	Less:		
	Interest expense		
	[ $\frac{500,000}{1,200,000} \times 50,000$ ]	<u>20,833</u>	69,167
iii)	Management service fees [income under paragraph 4(f) of the ITA]		<u>35,000</u>
			115,000
	Less:		
	Permitted expenses		<u>3,475</u>
	Total income		<u>111,525</u>
	Note:		
	Gross dividend (single-tier)	100,000 (exempted)	
	Interest expenses		
	[ $\frac{600,000}{1,200,000} \times 50,000$ ]	25,000 (disregarded)	

8.4 If there is no aggregate income or the aggregate income is not sufficient to absorb the permitted expenses for a YA, any excess of the permitted expenses cannot be carried forward to subsequent YAs.

**9. Tax Treatment for Investment Holding Company Listed on the Bursa Malaysia-Section 60FA of the ITA**

9.1 In order to determine whether a company is an IHC, paragraphs 4, 5 and 6 of this PR have to be referred to. Once a company is determined to be an IHC and that company is listed on the Bursa Malaysia, the tax treatment explained in this paragraph shall apply.

9.2 Any income derived from the holding of investments [interest, dividend, rental (non-business and business of holding of an investment)] is treated as a business source under paragraph 4(a) of the ITA. Each source of income has to be assessed as a separate business source.

9.3 Even though those sources of income are treated as business sources, in ascertaining the adjusted income and statutory income of an IHC, the special treatment provided under section 60FA of the ITA has to be complied with.

9.3.1 In ascertaining the adjusted income of each business source for a YA:

- (a) no deduction of expenses is allowed if that source does not produce any income;
- (b) the amount of allowable deduction from direct expenses is restricted to the amount of gross income from that source for that YA. Any excess of that expenses is to be disregarded (cannot be absorbed by any other source of income or carried forward to subsequent YAs); and
- (c) the amount of allowable deduction for common expenses which is determined based on the gross income is restricted to the amount of gross income from that source for that YA. Any excess of that expenses is also to be disregarded.

9.3.2 In ascertaining the statutory income from each business source for a YA, the allowances under Schedule 3 of the ITA can be allowed but restricted to the amount of adjusted income from that source. If there is no adjusted income or the adjusted income is not sufficient to absorb those allowances, any excess of allowances cannot be carried forward to subsequent YAs.

**Example 12**

Iktikad Raya Sdn Bhd is an IHC listed on the Bursa Malaysia. The income and expenses for the YA 2022 are as follows:

Source of income	Gross Income (RM)	Interest Expenses (RM)
Dividend (single-tier)	400,000	250,000
Interest	200,000	160,000
Rental	NIL	70,000

Interest expense is a direct expense and not a common expenses.

Total gross income	600,000
Common expenses	150,000
Common capital allowances	80,000

The total income of Iktikad Raya Sdn Bhd for the YA 2022 is computed as follows:

i.	Gross interest		200,000
	Less:		
	Interest expense	160,000	
	Common expenses		
	<u>[200,000 X 150,000]</u>	<u>50,000</u>	
	600,000		
		210,000	
	restricted to	<u>200,000</u>	<u>200,000</u>
		10,000 (disregarded)	NIL

	Common capital allowances		
	$\frac{[200,000 \times 80,000]}{600,000}$	26,667 (disregarded)	
ii.	Gross rental		NIL
	Less:		
	Interest expenses	70,000 (disregarded)	
iii.	Gross dividend (single-tier)	400,000 (exempted)	NIL
	Interest expense	250,000	
	Common expenses		
	$\frac{[400,000 \times 150,000]}{600,000}$	$\frac{100,000}{350,000}$ (disregarded)	
	Common capital allowances		
	$\frac{[400,000 \times 80,000]}{600,000}$	53,333 (disregarded)	<u>NIL</u>
	<b>Total income</b>		<u>NIL</u>

- (a) The excess of interest expense and common expenses amounting to RM10,000 for interest source and interest expense amounting to RM70,000 for rental source which cannot be absorbed are to be disregarded and cannot be absorbed by any other source of income or be carried forward to subsequent YAs.
- (b) Capital allowances of RM26,667 which cannot be absorbed by interest source and RM53,333 which cannot be absorbed by dividend source cannot be carried forward to subsequent YAs.

#### 9.4 Expenses and Deduction Related to Single-Tier Dividend

With effect from YA 2017, under paragraph 12B, Schedule 6 of the ITA, dividend income that is not entitled for tax deduction at source is exempted from income tax while any deductions related to the dividend income are also disregarded in determining the chargeable income.

This means that other than the expenses related to dividends, any allowances under Schedule 3 of the ITA and other deductions including zakat, donations and others which are related to dividend income shall be disregarded in calculating the statutory/chargeable income.

**Example 13**

Maju Jaya Sdn Bhd is an IHC listed on Bursa Malaysia and has dividend income. The company's income statement for the year ending 31 December 2022 is as follows :

Source of Income	Gross Income (RM)
Business Income	1,830,452
Dividend	11,320,000
Interest	2,177,279
Non-Business Rental (include allowable rental expenses RM12,000)	66,000
<b>Total Income</b>	<b>15,393,731</b>

While claims for expenses, other costs and donations are as follows :

Type of claim	Amount (RM)
Administrative expenses (including non allowable expenses RM1,259,672)	2,073,068



Donation	6,000
<b>Profit before tax</b>	<b>13,314,663</b>

Capital allowance for year of 2022 is RM500,000.

The share of capital allowances and donations related to dividends for Maju Jaya Sdn Bhd must be disregarded. The calculation of disregarded capital allowances and donations is according to the formula below :

(i) Capital allowance related to dividend income

$$= \frac{\text{Dividend income}}{\text{Total Gross Income}} \times \text{Capital allowance}$$

$$= \frac{\text{RM11,320,000}}{\text{RM15,393,731}} \times \text{RM500,000}$$

$$= \text{RM367,682.}$$

Allowable capital allowance

$$= \text{Total capital allowance} - \text{Capital allowance related to dividend}$$

$$= \text{RM500,000} - \text{RM367,682}$$

$$= \text{RM132,318.}$$

(ii) Donation related to dividend income

$$= \frac{\text{Dividend Income}}{\text{Total Gross Income}} \times \text{Donation}$$

$$= \frac{\text{RM11,320,000}}{\text{RM15,393,731}} \times \text{RM6,000}$$

$$= \text{RM4,412.}$$

Allowable donation

$$= \text{Total donation} - \text{donation related to dividend income}$$

$$= \text{RM6,000} - \text{RM4,412} = \text{RM1,588.}$$

Based on the formula used, the disregarded capital allowance is RM367,682 and the disregarded donation is RM4,412. Therefore, the allowable capital allowance and donation is RM132,318 and RM1,588.

- (iii) The calculation of chargeable income for Maju Jaya Sdn Bhd for YA 2022 is as follows :

	RM	RM
Business Income		1,830,452
Less : Allowable expenses		<u>813,396</u>
Adjusted business income		1,017,056
Less : Allowable capital allowance		<u>132,318</u>
Statutory business income		884,738
Add : <u>Non-business income</u>		
Net rental	54,000	
Interest	<u>2,177,279</u>	<u>2,231,279</u>
Aggregate income		3,116,017
Less : Allowable donation		<u>1,588</u>
Chargeable income		<u>3,114,429</u>

- 9.5 If in a YA, an IHC listed on the Bursa Malaysia also carries on a business activity (not as the main activity), any adjusted loss from that business source will be given the normal treatment in accordance with the provision of subsections 43(2) and 44(2) of the ITA. Therefore, the adjusted loss from that business source for a YA can be deducted against the aggregate income for that YA. Any excess of the adjusted loss that cannot be absorbed can be carried forward and deducted against the aggregate of statutory income from business sources for subsequent YAs.

#### 9.6 Time Limit for Unabsorbed Adjusted Business Losses Carried Forward

- 9.6.1 With effect from YA 2019, any unabsorbed current year adjusted business losses in a relevant YA can only be carried forward limited to ten (10) consecutive YAs.

9.6.2 The period of ten (10) consecutive YAs commences immediately after the YA, the adjusted business loss arises. Any balance of unabsorbed adjusted business losses after the end of the period of ten (10) consecutive YAs is to be disregarded.

9.6.3 The time limit for carrying forward unabsorbed adjusted business losses arising from a business of a person is explained in detail in Public Ruling No.1/2022.

**Example 14**

Investment Link Berhad is an IHC, listed on the Bursa Malaysia. For the YA 2022, the gross income received and expenses incurred are as follows:

Source of income	Gross income (RM)	Direct expenses (RM)
Management fees	200,000	350,000
Dividend (single-tier)	1,000,000	600,000
Interest	300,000	150,000

Total gross income	RM1,500,000
Common expenses	RM250,000
Common capital allowances	RM200,000

The total income of Investment Link Berhad for the YA 2022 is computed as follows:



**INVESTMENT HOLDING COMPANY**

**Public Ruling No. 2/2024**

**INLAND REVENUE BOARD OF MALAYSIA**

**Date of Publication: 28 May 2024**

	RM	RM	RM
I. Gross management fees		200,000	
Less:			
Direct expenses	350,000		
Common expenses			
[ <u>200,000</u> X 250,000 ]	<u>33,333</u>		
1,500,000			
	383,333		
Restricted	<u>200,000</u>	<u>200,000</u>	NIL
Current year business loss	183,333		
Common capital allowances carried forward			
[ <u>200,000</u> X 200,000 ]	26,667		
1,500,000			
II. Gross interest		300,000	
Less:			
Direct expenses	150,000		
Common expenses			
[ <u>300,000</u> X 250,000 ]	<u>50,000</u>	<u>200,000</u>	
1,500,000			
Adjusted income from interest		100,000	
Less :			
Common capital allowances			
[ <u>300,000</u> X 200,000 ]		<u>40,000</u>	60,000
1,500,000			
III. Gross dividend		1,000,000 (exempted)	

Direct expenses	600,000	
Common expenses		
$\frac{[1,000,000 \times 250,000]}{1,500,000}$	<u>166,667</u>	
	766,667 (disregarded)	
Common capital allowances		
$\frac{[1,000,000 \times 200,000]}{1,500,000}$	133,333 (disregarded)	NIL
<b>Aggregate Income</b>		<b>60,000</b>
Less : Current year business loss		
subsection 44(2) of the ITA]	183,333	
Restricted to	<u>60,000</u>	<u>60,000</u>
Loss carried forward	<u>123,333</u>	NIL
Total Income		<u>NIL</u>

Capital allowances amounting to RM26,667 which cannot be absorbed can be carried forward to subsequent YAs. The current year adjusted loss amounting RM123,333 which cannot be absorbed is allowed to be carried forward to be absorbed from the aggregate statutory income from all sources of business income for 10 consecutive years until the YA 2032.

### Example 15

Sinar Makmur Sdn Bhd is an IHC listed on Bursa Malaysia. For the YA 2022, the gross income received and expenses incurred are as follows :

Source of Income	Gross Income (RM)	Direct expenses (RM)
Management fees	50,000	10,000
Interest	200,000	220,000

Total Gross Income	RM250,000
Shared expenses	RM40,000

The total income of Sinar Makmur Sdn Bhd for YA 2022 is calculated as follows:

	RM	RM	RM
I. Gross management fees		50,000	
Less :			
Direct expenses	10,000		
Shared expenses			
$\frac{[50,000 \times 40,000]}{250,000}$	<u>8,000</u>	<u>18,000</u>	32,000
II. Gross interest		200,000	
Less :			
Direct expenses	220,000		
Shared expenses			
$\frac{[200,000 \times 40,000]}{250,000}$	<u>32,000</u>		
	252,000		
Restricted to	<u>200,000</u>	<u>200,000</u>	<u>NIL</u>
Current year loss	52,000 (disregard)		
Aggregate Income/Total Income			<u>32,000</u>

The remaining expenditure of RM52,000 for in relation to interest source of income cannot be deducted from aggregate income or carried forward to subsequent YA.

- 9.7 For the purposes of section 60FA of the ITA, if an IHC is listed on the Bursa Malaysia for any period in the basis period for a YA, that IHC is deemed to be an IHC listed on Bursa Malaysia in the basis period for that YA.

**Example 16**

Area Winner Sdn Bhd is an IHC listed on the Bursa Malaysia since 1.1.2017. With effect from 1.8.2022, the company was not listed on the Bursa Malaysia due to certain reasons. The company closes its account on 31 December every year.

Although the company was not listed on the Bursa Malaysia from 1.8.2022, the company is still considered a listed IHC for the YA 2022 and section 60FA of the ITA is applicable to the company for that YA.

**Example 17**

Emerald Sdn Bhd, an IHC which closes its account on 31 December was listed on the Bursa Malaysia on 1.9.2022.

Although the company was only listed on the Bursa Malaysia on 1.9.2022, the company is considered a listed IHC for the YA 2022 and section 60FA of the ITA is applicable to the company for that YA.

**10. Capital Allowance / Industrial Building Allowance**

- 10.1 As a general rule, capital allowance and industrial building allowance are given on qualifying capital expenditure incurred by a person in relation to assets used for the purposes of his business. Whether or not rental income from letting of real property is regarded as a business source of a person for a YA would depend on the circumstances in the basis period for that YA. This in turn would determine whether or not the person is eligible for capital allowances and industrial building allowance for his rental income.
- 10.2 Where rental income (from business of holding of investment) derived by a company from its building is treated as a business source and capital allowances and/or industrial building allowance have been claimed and subsequently the rental income is no longer treated as a business source because the company has become an IHC in a YA, the company is not eligible for capital allowances in respect of its plant and machinery in that YA, unless the IHC is listed on the Bursa Malaysia.

10.3 However, pursuant to paragraph 60 of Schedule 3 of the ITA, the company is still eligible to claim industrial building allowance on its building provided the tenant uses the building as an industrial building.

**11. Updates and Amendments**

	Amendments	
This PR replaces the PR No. 10/2015 dated on 16 December 2015.	The contents of this PR has been amended as follows :	
	Paragraph	Amendment
	9.4	This new paragraph is inserted in accordance with the amendment of paragraph 12B Schedule 6.
	Example 13	This new example is inserted in accordance with the amendment of Paragraph 12B, Schedule 6 of the ITA.
	9.6	This new paragraph is inserted in accordance with the amendment of subsection 44(5F) of the ITA.

**12. Disclaimer**

The examples in this PR are for illustration purposes only and are not exhaustive.

**Director General of Inland Revenue  
Inland Revenue Board of Malaysia.**